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INFO RUEHXK/ARAB ISRAELI COLLECTIVE PRIORITY  
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NEA FOR FRONT OFFICE; NEA/IPA FOR WILLIAMS/SHAMPAINE/BELGRADE; NSC FOR ABRAMS/WATERS; TREASURY FOR SZUBIN/LOEFFLER/NUGENT/HIRSON

E.O. 12958: DECL: 07/23/17  
TAGS: ECON EFIN KFTN KWBG IS  
SUBJECT: HAMAS MONEY LAUNDERING SCHEME EXPLAINED

REF: TEL AVIV 2097

Classified By: Consul General Jake Walles, Reasons 1.4 (b) and (d).

¶1. (S) Summary. Hamas has gained access to considerable funds through money laundering schemes, according to Palestinian Monetary Authority (PMA) Deputy Governor Jihad al-Wazir. Imported goods are paid for from accounts outside Gaza or even with cash at point of origin. The Gaza recipient pays cash, once the goods are sold, to a Hamas-affiliated individual or deposits funds into a Hamas-controlled bank account. In addition, the value of imported goods is often understated, with the "cash bonus" derived from their sale going to Hamas. Lacking "hard proof," Wazir asserted that the PMA is ill-equipped to combat trade-related money laundering and the security services need to develop greater capabilities in this area. End summary.

¶2. (S) PMA Deputy Governor Wazir told Econoffs July 16 that he believes Hamas secures more of its funding from a trade-related money laundering scheme than it does from cash smuggled through tunnels under the Philidelphi corridor between Gaza and Egypt. He explained that a good portion of the activity involves containers of Chinese goods destined for Gaza for which cash is paid at point of origin or from bank accounts outside of Gaza instead of using a letter of credit. Upon sale of the imports in Gaza, the Gaza merchant pays cash to a Hamas-affiliated individual or deposits funds into a Hamas-controlled bank account to complete the commercial transaction. Wazir said that companies often attempt to underestimate the value of imported goods to reduce customs fees, but under this scheme the "cash bonus" from the sale of the goods goes to Hamas. Requiring payments through the banking system using letters of credit could cut the flow to Hamas by 80 percent, according to Wazir, but the lack of "hard proof" would make enforcement difficult. (Comment: We have heard similar reports from other sources, including some that suggest this practice is used in the West Bank as well as Gaza. End comment.)

¶3. (S) Wazir said that, as part of its anti-money laundering efforts, the PMA is developing a mechanism to suspend transfers to suspect charities, but he noted that Hamas does not derive most of its funds from these transfers. He estimated that out of USD 1.2 billion transfers to all Palestinian charities a year, only USD 9 million goes to Hamas. He said that, although the PMA has the means to stop a transfer for a few days, he currently can officially suspend transfers only with a court order. Wazir asserted that individuals and organizations in UAE and Qatar are the main contributors to Hamas charities. He said a charity established by Qatari Sheikh Eid bin Mahmoud al-Thani was

one, adding that it has transferred funds through JP Morgan Chase. In reference to PMA funds subject to legal action in the U.S., Wazir complained that "our money is frozen while Hamas money is whipping by."

¶4. (S) Wazir said the PMA has told PA authorities that they must combat Hamas, money laundering, and suspect charities on a legal basis and not just by employing current banking regulations alone; however, current laws are insufficient and action by the PLC is unlikely under current circumstances. He said the Palestinian intelligence services urgently need to develop greater capabilities in this regard. Most Hamas-affiliated charities are well-known to the PA, but the PA Attorney General, while well-meaning, lacks the means to suspend or freeze their accounts or close them down, according to Wazir. .

WALLES